

**Follow-up Audit  
Solid Waste Division  
Apartment Rebate Program**

April 2000

**City Auditor's Office  
City of Kansas City, Missouri**



April 26, 2000

Honorable Mayor and Members of the City Council:

This follow-up audit of the city's apartment rebate program was initiated by the city auditor pursuant to Article II, Section 13 of the city charter. The follow-up report was initiated as part of the City Auditor's Office policy of determining department progress in improving program operations subsequent to issuance of our audit reports.

Our follow-up audit determined that the city has made some effort to streamline the apartment rebate program and improve management controls. However, the processing requirements imposed by a 1976 settlement with apartment owners continue to be administratively burdensome. Under the existing agreement, the city has few options to streamline the process. Our follow-up work determined that although the program has improved its management controls, further improvements are needed. Efforts by the Law Department to renegotiate the agreement were unsuccessful. The program remains inefficient; the city processes between 600 and 700 rebate payments each month, with some payments for as little as \$2.11.

Further, we found the revenue division does not use the apartment rebate information to check for compliance with city obligations, as we recommended in 1995. We found in the original audit that several of the payees receiving the largest payments had not filed profits tax returns as required by city code. Our follow-up found that the Environmental Management Department has developed written policies and procedures for the program, as we recommended in 1995. However, the procedures do not ensure that key duties are segregated. The division no longer conducts routine physical inspections of property to verify occupancy as indicated in the policies and procedures. We found that the inspections were ineffective and added to the administrative costs of the program.

We sent the draft follow-up report to the city manager, the director of environmental management, the acting director of finance, and the city attorney on March 21, 2000. Written responses are included as appendices. We appreciate the courtesy and cooperation extended to us during this project by staff in the Environmental Management, Finance and Law departments. The audit team for this project was Evalin McClain and Amanda Noble.

Mark Funkhouser  
City Auditor



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# Follow-Up Audit: Solid Waste Division Apartment Rebate Program

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## Introduction

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### Objectives

This follow-up audit of the city's apartment rebate program was conducted pursuant to Article II, Section 13 of the Charter of Kansas City, Missouri, which establishes the Office of the City Auditor and outlines the city auditor's primary duties.

A performance audit is an objective, systematic examination of evidence to independently assess the performance of a government organization, program, activity, or function. A performance audit is intended to provide information to improve public accountability and facilitate decision-making.<sup>1</sup> A follow-up audit examines the actions taken in response to the problems identified and recommendations made in a previous audit.

This follow-up audit was designed to answer the following questions:

- What has the city done to renegotiate the apartment rebate agreement with the plaintiffs?
- What has the city done to use rebate information to improve compliance with city obligations?
- What has the city done to streamline the process and to ensure that management controls over payments are adequate to detect or prevent loss?

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### Scope and Methodology

This follow-up audit is not intended to be another full-scale audit of the city's apartment rebate process; rather, we assess the city's progress in addressing problems identified in our February 1995 report.

We conducted this audit in accordance with generally accepted government auditing standards, except for completion of an external

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<sup>1</sup> Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 1994), p. 14.

quality control review of the office within the last three years.<sup>2</sup> Our audit methods included:

- Interviewing staff of the Environmental Management, Finance, and Law departments.
- Analyzing apartment rebate payments made between May 1, 1998, and January 31, 2000.
- Reviewing the 1976 court-mandated agreement between the city and the plaintiffs.
- Reviewing the solid waste division's policies and procedures related to the apartment rebate program.
- Reviewing Audit Report Tracking System (ARTS) reports.

No information was omitted from this report because it was deemed privileged or confidential.

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## **Background**

The apartment rebate program was mandated in 1976 as settlement to a lawsuit brought by apartment owners. City code excluded apartment complexes and trailer parks with more than seven dwelling units from the city's residential trash collection program, established in 1971. The apartment owners charged that the exclusion was unconstitutional, and the court required the city to either pick up trash at apartments and trailer parks or pay a monthly rebate based on the number of units occupied. The amount paid per occupied unit is recalculated each May based on the percentage change in the cost of providing services to households. The payments can be terminated only if the city terminates the current citywide residential refuse collection service or provides refuse collection service to the apartments. Implementing a fee for residential trash collection, as we have recommended in the past, would end the rebate program.

The solid waste division currently pays \$2.11 per occupied unit each month to apartment complex managers or owners who apply for payment. These payments in lieu of service, called "rebates," are

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<sup>2</sup> Our last external review was April 1995; a review is planned for the current year.



calculated based on occupancy information provided by the owner or manager of the complex. Apartment rebate payments amount to about \$1 million a year.

### **Legislative Authority**

Chapter 1, Section 28 of the city charter establishes the city's authority to provide for collection and disposal of refuse. Prior to 1971, the city collected garbage only, and it was illegal to put waste paper or other trash in one's garbage can. Citywide residential combined trash and garbage collection was established in 1971, following the voters' approval of a ½ percent increase in the earnings tax.

Committee Substitute for Ordinance 39147 established the residential trash collection program, stipulating that the director of public works provide refuse collection and disposal service except from trailer parks, certain single family dwellings in agricultural areas, or from buildings of seven or more units. These residences were excluded from city service because curbside pick-up was not considered feasible. The ordinance allowed homes associations to be exempt from city service, provided that they contract for service of a standard at least as high as that provided by the city. The city would then reimburse the homes association at the city's cost of providing service.

**Rebate program established in 1977.** Apartment rebates were not part of the original residential trash collection program. In 1974, several apartment owners sued the city, charging that excluding apartment complexes of seven or more units from the trash collection program was unconstitutional. The Circuit Court found that the city was not liable for damages arising from exclusion of service, but mandated that beginning February 1, 1977, the city must provide refuse collection services or the cash equivalent to owners or managers of apartments or trailer courts with seven or more dwelling units.

Committee Substitute for Ordinance 47157 established the apartment rebate program. Ordinance 48388, effective December 1, 1977, amended the program by establishing a limit of six months for participants to apply for payment for any given month. The ordinance also clarified the city's rights to inspect and verify information submitted by owners or managers.

### **Summary of the 1995 Audit**

Our 1995 performance audit of the solid waste division's apartment rebate program found that the requirements established by the court-mandated agreement, as well as how the program was implemented, resulted in inefficiency and relatively high administrative costs. The nature of the program – a high volume of small monthly payments to third parties – was susceptible to errors or fraud. Although the agreement provided the city authority to inspect and verify occupancy information submitted as the basis of payments, the solid waste division had no effective means of verifying the information. In a random sample of 35 apartment complexes, we found a total overstatement of occupancy of 4.5 percent. We were unable to review records at seven of the complexes because records were not available or we could not reach the owners. However, adding management controls to detect or prevent overstatement of occupancy would increase already high administrative costs.

In the original report, we recommended the city manager renegotiate with the plaintiffs who brought suit against the city to alter the method of paying reimbursements. If the city manager was unable to renegotiate the agreement, we also made some recommendations to improve controls. (See Appendix A.) Audit Report Tracking System (ARTS) reports submitted by management are included in Appendix B.

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## Findings and Recommendations

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### Summary

The city has made some effort to streamline the apartment rebate program and improve management controls. However, the processing requirements imposed by the 1976 settlement continue to be administratively burdensome. Under the existing agreement, the city has few options to streamline the process. We provide two recommendations to improve the likelihood of detecting or deterring some types of fraud without increasing administrative costs.

Our 1995 audit of the apartment rebate program found that the process established by the court-mandated agreement resulted in inefficiency and exposed the city to risk of loss or theft due to a high volume of small monthly payments to third parties. In order to lower the city's costs and better safeguard city funds, we recommended that the city manager renegotiate the settlement with the original plaintiffs to change the basis and frequency of payments.

The city tried to renegotiate the agreement. The Law Department identified representatives for the original plaintiffs and met with their attorney. However, efforts to renegotiate the agreement were unsuccessful. The program remains inefficient; the city processes between 600 and 700 rebate payments each month, with some payments for as little as \$2.11.

The revenue division does not use the apartment rebate information to check for compliance with city obligations, as we recommended in 1995. We found in the original audit that several of the payees receiving the largest payments had not filed profits tax returns as required by city code. We recommend that the revenue division use apartment rebate information to assist with tax enforcement efforts. Such a check could also deter fictitious accounts or unrecorded changes in ownership.

The Environmental Management Department has developed written policies and procedures for the program, as we recommended in 1995. However, the procedures do not ensure that key duties are segregated. We recommend that another person in the department approve new accounts and monitor changes to payment recipients and addresses.

## **Efforts to Renegotiate Were Unsuccessful**

The city made efforts to renegotiate the agreement with the plaintiffs as recommended in our original audit. However, according to the Law Department, the plaintiffs were not willing to substantively change the agreement. The program remains administratively cumbersome, as the city processes between 600 and 700 checks a month, with some payments for as little as \$2.11. About 20 percent of the 13,415 checks issued between May 1998 and January 2000 were for less than \$25.

### **Law Department Attempted to Renegotiate Rebate Agreement**

The Law Department attempted to negotiate changes in the basis and frequency of rebate payments. An assistant city attorney met with the attorney for the plaintiffs. They were able to meet with each company named in the original lawsuit or its derivative. The Law Department suggested prepayments and payment based upon a yearly average rate of occupancy even if actual occupancy fell below that figure during the year. However, the plaintiffs were not willing to accept payments less frequently than once every two months. The Law Department determined that this change would not be cost-effective for the city.

The settlement cannot be altered without agreement of both parties. While the agreement continues to impose an administratively cumbersome process, we do not think it is worth the effort and expense for the city to initiate further negotiations.

### **Program Remains Administratively Cumbersome**

The requirement that payments be made monthly based on owners' representations of occupancy continues to result in an administratively burdensome process. Several departments are involved in the rebate process, which requires inputting records into the computer system and manually matching payments and certificates before mailing. The city processes between 600 and 700 payments each month, with amounts ranging from \$2.11 to about \$1,500. About 30 percent of the recipients receive more than one payment per month.

### **Several departments are involved in the monthly rebate process.**

Environmental Management's solid waste division, the Finance Department, and the Information Technology Department are each involved in the payment process. Solid waste division staff enter the

occupancy data submitted each month and check the input against daily and monthly reports. The Information Technology Department maintains the mainframe computer application and its interface with the city's financial system, runs daily and monthly reports, and generates the certificates rebate recipients use to report occupancy. The Finance Department reviews the monthly report to approve the payments, manually matches payments and certificates for the next month's payment, and mails them.

**It is costly to produce a check.** The city processes between 600 and 700 payments each month. The amount of individual checks ranged from \$2.11 to almost \$1,500 between May 1998 and January 2000. (See Exhibit 1.) The median check amount over this period was \$59.36. About 20 percent of the 13,415 checks issued were for less than \$25. In 1996, the Finance Department estimated the cost to produce a check was \$7.40, excluding time spent within the requesting departments.

Exhibit 1. Summary of Monthly Payments

| Payment Date | Number of Checks | Sum of Payments | Average  | Minimum | Maximum    |
|--------------|------------------|-----------------|----------|---------|------------|
| May 1998     | 625              | \$ 91,094.74    | \$145.75 | \$6.27  | \$1,465.09 |
| Jun 1998     | 606              | 88,481.67       | 146.01   | 6.36    | 1,452.20   |
| Jul 1998     | 603              | 86,273.40       | 143.07   | 8.48    | 1,486.12   |
| Aug 1998     | 599              | 85,300.32       | 142.40   | 4.24    | 1,352.56   |
| Sep 1998     | 670              | 97,355.52       | 145.31   | 4.24    | 1,477.64   |
| Oct 1998     | 597              | 84,941.72       | 142.28   | 4.24    | 1,488.24   |
| Nov 1998     | 631              | 94,151.32       | 149.21   | 4.24    | 1,460.68   |
| Dec 1998     | 634              | 91,965.60       | 145.06   | 8.48    | 1,405.56   |
| Jan 1999     | 612              | 84,465.04       | 138.01   | 4.24    | 1,373.76   |
| Feb 1999     | 700              | 97,969.44       | 139.96   | 4.24    | 1,399.20   |
| Mar 1999     | 634              | 84,594.36       | 133.43   | 4.24    | 1,390.72   |
| Apr 1999     | 633              | 93,610.72       | 147.88   | 4.24    | 1,390.72   |
| May 1999     | 617              | 85,773.72       | 139.02   | 4.24    | 1,397.08   |
| Jun 1999     | 695              | 104,793.15      | 150.78   | 2.11    | 1,415.81   |
| Jul 1999     | 612              | 83,486.71       | 136.42   | 2.11    | 1,424.25   |
| Aug 1999     | 651              | 97,576.95       | 149.89   | 4.22    | 1,481.22   |
| Sep 1999     | 658              | 91,698.49       | 139.36   | 4.22    | 1,413.70   |
| Oct 1999     | 667              | 100,300.96      | 150.38   | 4.22    | 1,428.47   |
| Nov 1999     | 611              | 86,474.13       | 141.53   | 4.22    | 1,428.47   |
| Dec 1999     | 654              | 90,905.13       | 139.00   | 4.22    | 1,447.46   |
| Jan 2000     | 677              | 95,971.24       | 141.76   | 2.11    | 1,439.02   |

Source: AFN OPVL table.

**Many payees receive more than one check because they own multiple properties.** About 30 percent of the payees received more than one check per month – about 4 percent of payees received five or more

checks per month. (See Exhibit 2.) One payee received 45 checks in a single month.

Exhibit 2. Checks Per Payee Per Month

| Payment Date | Payees | Payees Receiving Multiple Checks | Percent |
|--------------|--------|----------------------------------|---------|
| May 1998     | 354    | 94                               | 26.6%   |
| Jun 1998     | 354    | 102                              | 28.8%   |
| Jul 1998     | 342    | 93                               | 27.2%   |
| Aug 1998     | 342    | 100                              | 29.2%   |
| Sep 1998     | 360    | 116                              | 32.2%   |
| Oct 1998     | 338    | 97                               | 28.7%   |
| Nov 1998     | 367    | 115                              | 31.3%   |
| Dec 1998     | 350    | 91                               | 26.0%   |
| Jan 1999     | 353    | 101                              | 28.6%   |
| Feb 1999     | 374    | 118                              | 31.6%   |
| Mar 1999     | 361    | 100                              | 27.7%   |
| Apr 1999     | 356    | 104                              | 29.2%   |
| May 1999     | 363    | 96                               | 26.4%   |
| Jun 1999     | 362    | 103                              | 28.5%   |
| Jul 1999     | 342    | 97                               | 28.4%   |
| Aug 1999     | 373    | 111                              | 29.8%   |
| Sep 1999     | 365    | 104                              | 28.5%   |
| Oct 1999     | 370    | 108                              | 29.2%   |
| Nov 1999     | 356    | 104                              | 29.2%   |
| Dec 1999     | 375    | 110                              | 29.3%   |
| Jan 2000     | 368    | 109                              | 29.6%   |

Source: AFN OPVL table.

**Payments are widely dispersed.** While the top ten payees received about 23 percent of the total apartment rebate payments in fiscal year 2000, no single company received more than 5 percent of the payments. The top payee received 162 checks totaling \$36,404 (4.3%) of the apartment rebate payments over this period. (See Exhibit 3.)

Exhibit 3. Payments to the Top 10 Payees, Fiscal Year 2000

| Payee | Number of Payments | Percent of Total | Sum of Payments | Percent of Total |
|-------|--------------------|------------------|-----------------|------------------|
| 1     | 162                | 2.8%             | \$36,404.42     | 4.3%             |
| 2     | 97                 | 1.7%             | 35,334.44       | 4.2%             |
| 3     | 117                | 2.0%             | 26,204.09       | 3.1%             |
| 4     | 28                 | 0.5%             | 18,573.59       | 2.2%             |
| 5     | 72                 | 1.2%             | 17,207.05       | 2.1%             |
| 6     | 9                  | 0.2%             | 12,615.95       | 1.5%             |
| 7     | 10                 | 0.2%             | 11,897.04       | 1.4%             |
| 8     | 9                  | 0.2%             | 11,077.05       | 1.3%             |
| 9     | 9                  | 0.2%             | 10,895.43       | 1.3%             |
| 10    | 26                 | 0.4%             | 10,328.45       | 1.2%             |

Source: AFN OPVL table.

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## **Information Not Used for Tax Enforcement**

The revenue division does not use apartment rebate data to check compliance with city obligations. Our 1995 audit found that a number of apartment owners/managers who received the largest payments in fiscal year 1994 had not filed a city profits tax return in 1993. City code requires all businesses to file a profit tax return regardless of taxable income.

In our 1995 report, we said that if the Finance Department processed rebates annually, there might be more incentive for apartment owners to file other required returns. We recommended that the agreement be altered to process payments annually through the Finance Department.

The former finance director agreed with our recommendation. However, there has been turnover in the Finance Department and revenue division since the 1995 audit. The division is not using apartment rebate data to check for tax compliance.

The revenue division should use the apartment rebate data to check compliance with city obligations. Such a check could improve tax compliance while possibly deterring fictitious accounts or unrecorded changes in ownership in the rebate program.

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## **Management Has Taken Some Steps to Improve Controls Over Payments**

Management has taken steps to improve management controls over payments and streamline the program. The solid waste division has developed written policies and procedures that require consistent proof of ownership to receive payments. The procedures, however, do not provide for segregation of duties. The division no longer conducts routine physical inspections of property to verify occupancy. We found that the inspections were ineffective and added to the administrative costs of the program.

### **Procedures Are in Place, But Duties Are Not Segregated**

Written procedures are now in place. In our original audit, we found that internal controls over the apartment rebate program were inadequate, increasing the likelihood that errors or fraud would go undetected. We recommended improving and streamlining management controls if the agreement could not be renegotiated.

The procedures require recipients to submit the deed of trust as proof of ownership before receiving payments. However, the procedures do not segregate duties, as we recommended. One person should not be in a position to make and conceal errors or irregularities. One person is still responsible for all data entry, including setting up new accounts and processing monthly payments. Since strict segregation of duties is not practical, we recommend that another person in the division approve new accounts and review changes to various input fields during the month. These actions would provide a means to detect and deter employee fraud without significantly adding to the program's administrative cost.

### **Verifying Occupancy Is Not Practical**

The solid waste division no longer conducts routine physical inspection of properties to verify occupancy. In our original audit, we found that the physical inspections the division conducted were costly and ineffective in verifying occupancy. We recommended that if the agreement could not be altered to change the basis of payments, the revenue division should take over responsibility for verifying occupancy information as part of a regular cycle of field audits. While the former finance director agreed with our recommendation, it cannot be implemented due to restrictions in how confidential tax information may be used.

While the city may conduct inspections to verify occupancy, owners or managers are not required under the agreement to maintain accurate records. It is difficult to target inspections because no one owner/manager receives more than 5 percent of the payments. We do not think it is practical to routinely verify occupancy records if it is not done in conjunction with another administrative function. The controls we recommend should detect problems such as fictitious accounts and unrecorded changes in ownership. It is not cost-effective for the city to routinely make site visits for the sole purpose of detecting overstatements of occupancy.



## **Recommendations**

1. The commissioner of revenue should use the apartment rebate information to help ensure compliance with city obligations.
2. The director of environmental management should ensure that apartment rebate processing duties are segregated to the extent practical. Another person in the department should be responsible for approving new accounts and monitoring changes to recipient names and addresses.



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## **Appendix A**

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### **Prior Audit Recommendations**



### **Prior Audit Recommendations**

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1. The director of Public Works should consider how potential residential trash collection program changes will affect the apartment rebate obligation and provide this information to the City Council before decisions are made.
2. The City Manager should renegotiate with the plaintiffs who brought suit against the City to alter the method of paying reimbursements. The reimbursements should be distributed annually by the Finance Department, and monthly processing of reimbursements should be eliminated. The basis of payments should be changed to eliminate the need to verify monthly occupancy.

If the City Manager is unable to renegotiate the agreement with apartment owners:

3. The director of Public Works should revise the apartment rebate certification to include a space for participants to list their City profits tax account number.
  4. The director of Finance should verify monthly occupancy information submitted for payment as part of a regular cycle of audits of apartment complexes to ensure compliance with occupation license and earnings and profits tax requirements.
  5. The director of Public Works should offer for Council consideration amendments to Section 62.44 of the City Code to provide for penalties if overstatement of occupancy is found, add record-keeping requirements such that rebate recipients must maintain records adequate for verifying occupancy information submitted to the City and shorten the length of time rebate recipients have to apply for payment for any given month.
  6. The manager of the Solid Waste Division should draft program policies and procedures that clearly delineate the duties of staff and ensure separation of key duties such that one person is not in a position to make and conceal errors or irregularities.
  7. The manager of the Solid Waste Division should continue to require proof of ownership for all apartment rebate accounts and maintain records so that authorization of payments may be easily verified.
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## **Appendix B**

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### **Audit Report Tracking System (ARTS) Reports**

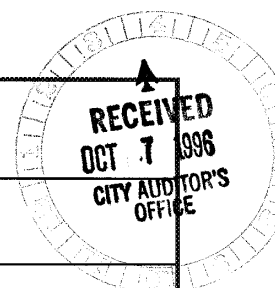






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| Page 2 of 2  |
| <b>Audit Report Tracking System</b>  |
| <b>Audit Title:</b> Solid Waste Division Apartment Rebate Program  |
| <b>Report Date:</b> August 11, 1995  |
| <b>10. Recommendations Included in this Report (continued)</b>   |
| <p>4. The director of Finance should verify monthly occupancy information submitted for payment as part of a regular cycle of audits of apartment complexes to ensure compliance with occupation license and earnings and profits tax requirements.</p> <p>Status of recommendation: In Progress. Negotiations for modification to the court agreement with apartment owners have not begun. This recommendation is being implemented now to a limited extent. The Revenue Division will audit several apartment management companies as part of an annual schedule that incorporates multiple business types. When tax compliance issues are identified, the Solid Waste Division will be notified to discontinue rebates until all audit issues are resolved.</p> <p>The Revenue Division now conducts tax clearance reviews of the names and addresses of rebate participants furnished by the Solid Waste Division. The tax clearance covers earnings tax withholding, net profits tax, and business license fees.</p> |
| <p>5. The director of Public Works should offer for Council consideration amendments to Section 62.44 of the City Code to provide for penalties if overstatement of occupancy is found, add record-keeping requirements such that rebate recipients must maintain records adequate for verifying occupancy information submitted to the City and shorten the length of time rebate recipients have to apply for payment for any given month.</p> <p>Status of recommendation: Non Implementation. This will not be done unless the negotiations are unsuccessful.</p> <p>If the City Manager is unable to renegotiate the agreement with apartment owners:</p>   |
| <p>6. The manager of the Solid Waste Division should draft program policies and procedures that clearly delineate the duties of staff and ensure separation of key duties such that one person is not in a position to make and conceal errors or irregularities.</p> <p>Status of recommendation: In Progress. The Division felt this should be done regardless of the outcome of negotiations. The separation of duties has been implemented. One person enters payment information. The supervisor has to approve any changes to payments. Effective June, 1995 checks are now mailed from the Accounts Division of the Finance Department rather than the Solid Waste Division.</p> <p>Work on new written policies and procedures will begin in September and will be completed by the end of the calendar year 1995.</p>   |
| <p>7. The manager of the Solid Waste Division should continue to require proof of ownership for all apartment rebate accounts and maintain records so that authorization of payments may be easily verified.</p> <p>Status of recommendation: Implemented. The Solid Waste Division felt this should be continued regardless of the outcome of negotiations. In addition we have sent staff to a seminar on filing and will revise our rebate filing system by the end of 1995 to insure easy access to verification records.</p>  |

| <b>Audit Report Tracking System</b>  |  |      |                |         |                |         |                |         |                |         |  |        |      |                       |        |                           |         |                |        |
|--|--|------|----------------|---------|----------------|---------|----------------|---------|----------------|---------|--|--------|------|-----------------------|--------|---------------------------|---------|----------------|--------|
| <b>1. Audit Title</b><br>Solid Waste Division Apartment Rebate Program   | <b>2. This Report Date</b><br>4-Oct-96                 |      |                |         |                |         |                |         |                |         |  |        |      |                       |        |                           |         |                |        |
| <b>3. Department</b><br>Public Works/Ofc. Environmental Management   | <b>4. Last Report Date</b><br>11-Aug-95                |      |                |         |                |         |                |         |                |         |  |        |      |                       |        |                           |         |                |        |
| <b>5. Department Head</b><br>George E. Wolf, Jr./John E. Stufflebean   | <b>6. Contact Person/Phone</b><br>Sally Ryan ext. 5170 |      |                |         |                |         |                |         |                |         |  |        |      |                       |        |                           |         |                |        |
| <b>7. Audit Release Date</b><br>February, 1995   | <b>8. ARTS Number</b><br>95-4-1                        |      |                |         |                |         |                |         |                |         |  |        |      |                       |        |                           |         |                |        |
| <b>9. Status of All Audit Recommendations</b>  |  |      |                |         |                |         |                |         |                |         |  |        |      |                       |        |                           |         |                |        |
| <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Status</th> <th style="text-align: left; border-bottom: 1px solid black;">Date</th> </tr> </thead> <tbody> <tr><td>1. Implemented</td><td>10/4/96</td></tr> <tr><td>2. In Progress</td><td>10/4/96</td></tr> <tr><td>3. Implemented</td><td>10/1/94</td></tr> <tr><td>4. Implemented</td><td>10/4/96</td></tr> </tbody> </table>  | Status   | Date | 1. Implemented | 10/4/96 | 2. In Progress | 10/4/96 | 3. Implemented | 10/1/94 | 4. Implemented | 10/4/96 | <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Status</th> <th style="text-align: left; border-bottom: 1px solid black;">Date</th> </tr> </thead> <tbody> <tr><td>5. Non-Implementation</td><td>2/1/95</td></tr> <tr><td>6. Partial Implementation</td><td>10/4/96</td></tr> <tr><td>7. Implemented</td><td>2/1/95</td></tr> </tbody> </table> | Status | Date | 5. Non-Implementation | 2/1/95 | 6. Partial Implementation | 10/4/96 | 7. Implemented | 2/1/95 |
| Status   | Date   |      |                |         |                |         |                |         |                |         |  |        |      |                       |        |                           |         |                |        |
| 1. Implemented   | 10/4/96  |      |                |         |                |         |                |         |                |         |  |        |      |                       |        |                           |         |                |        |
| 2. In Progress   | 10/4/96  |      |                |         |                |         |                |         |                |         |  |        |      |                       |        |                           |         |                |        |
| 3. Implemented   | 10/1/94  |      |                |         |                |         |                |         |                |         |  |        |      |                       |        |                           |         |                |        |
| 4. Implemented   | 10/4/96  |      |                |         |                |         |                |         |                |         |  |        |      |                       |        |                           |         |                |        |
| Status   | Date   |      |                |         |                |         |                |         |                |         |  |        |      |                       |        |                           |         |                |        |
| 5. Non-Implementation  | 2/1/95   |      |                |         |                |         |                |         |                |         |  |        |      |                       |        |                           |         |                |        |
| 6. Partial Implementation  | 10/4/96  |      |                |         |                |         |                |         |                |         |  |        |      |                       |        |                           |         |                |        |
| 7. Implemented   | 2/1/95   |      |                |         |                |         |                |         |                |         |  |        |      |                       |        |                           |         |                |        |
| <b>10. Recommendations Included in this Report</b>   |  |      |                |         |                |         |                |         |                |         |  |        |      |                       |        |                           |         |                |        |
| <p><b>1. The Director of Public Works should consider how potential residential trash collection program changes will affect the apartment rebate obligation and provide this information to the City Council before decisions are made.</b></p> <p>Status of Recommendation: Implemented. The Director of Environmental Management agrees with the recommendation, and will follow it if changes to the residential trash collection program are proposed. No fee-based systems are currently under consideration.</p> <p><b>2. The City Manager should renegotiate with the plaintiffs who brought suit against the City to alter the method of paying reimbursements. The reimbursements should be distributed annually by the Finance Department, and monthly processing of reimbursements should be eliminated. The basis of payments should be changed to eliminate the need to verify monthly occupancy.</b></p> <p>Status of recommendation: In Progress. Law Department has developed a proposed communication model, but has additional research to perform to identify the original plaintiffs with whom negotiations must occur.</p> |  |      |                |         |                |         |                |         |                |         |  |        |      |                       |        |                           |         |                |        |



## Audit Report Tracking System

**Audit Title:** Solid Waste Division Apartment Rebate Program  
**Report Date:** 11-Aug-95

### 10. Recommendations Included in this Report (continued)

**If the City Manager is unable to renegotiate the agreement with apartment owners:**

3. **The Director of Public Works should revise the apartment rebate certification to include a space for participants to list their City profits tax number.**

Status of Recommendation: Implemented. Certificates were revised to include tax numbers and other information in October, 1994.

4. **The Director of Finance should verify monthly occupancy information submitted for payment as part of a regular cycle of audits of apartment complexes to ensure compliance with occupation license and earnings and profits tax requirements.**

Status of Recommendation: Implemented. The Revenue Division has included apartment complexes in its audit rotation, and has initiated audits on some complexes. When tax compliance issues are identified, the Solid Waste Division will be notified to freeze rebates until audit issues are resolved.

The Revenue Division now conducts tax clearance reviews of the rebate participants from a quarterly report provided by the Solid Waste Division.

5. **The Director of Public Works should offer for Council consideration amendments to Section 62.44 of the City Code to provide for penalties if overstatement of occupancy is found, add recordkeeping requirements such that rebate recipients must maintain records adequate for verifying occupancy information submitted to the City and shorten the length of time rebate recipients have to apply for payment for any given month.**

Status of Recommendation: Non-Implementation. This is being held pending further information regarding negotiations on the court settlement.

**If the City Manager is unable to renegotiate the agreement with apartment owners:**

6. **The manager of the Solid Waste Division should draft program policies and procedures that clearly delineate the duties of staff and ensure separation of key duties such that one person is not in a position to make and conceal errors or irregularities.**

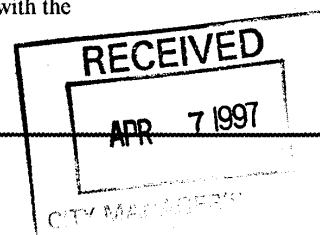
Status of Recommendation: Partially Implemented. Separation of duties and review of work was implemented immediately after the audit. One person enters payment information, and the supervisor approves changes to payments. Effective June, 1995 checks have been mailed from the Accounts Division of the Finance Department rather than the Solid Waste Division.

A preliminary draft of policies and procedures has been completed, but major revisions remain, which are expected to be completed within six months.

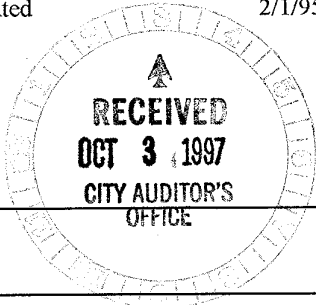
7. **The manager of the Solid Waste Division should continue to require proof of ownership for all apartment rebate accounts and maintain records so that authorization of payments may be easily verified.**

Status of Recommendation: Implemented.

| <b>Audit Report Tracking System</b>  |  |      |                |         |                |        |                |         |                |         |  |        |      |                       |        |                           |        |                |        |
|--|--|------|----------------|---------|----------------|--------|----------------|---------|----------------|---------|--|--------|------|-----------------------|--------|---------------------------|--------|----------------|--------|
| <b>1. Audit Title</b><br>Solid Waste Division Apartment Rebate Program   | <b>2. This Report Date</b><br>7-Apr-97                 |      |                |         |                |        |                |         |                |         |  |        |      |                       |        |                           |        |                |        |
| <b>3. Department</b><br>Public Works/Ofc. Environmental Management   | <b>4. Last Report Date</b><br>4-Oct-96                 |      |                |         |                |        |                |         |                |         |  |        |      |                       |        |                           |        |                |        |
| <b>5. Department Head</b><br>George E. Wolf, Jr./John E. Stufflebean   | <b>6. Contact Person/Phone</b><br>Sally Ryan ext. 5170 |      |                |         |                |        |                |         |                |         |  |        |      |                       |        |                           |        |                |        |
| <b>7. Audit Release Date</b><br>February, 1995   | <b>8. ARTS Number</b><br>95-4-1                        |      |                |         |                |        |                |         |                |         |  |        |      |                       |        |                           |        |                |        |
| <b>9. Status of All Audit Recommendations</b>  |  |      |                |         |                |        |                |         |                |         |  |        |      |                       |        |                           |        |                |        |
| <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Status</th> <th style="text-align: left; border-bottom: 1px solid black;">Date</th> </tr> </thead> <tbody> <tr> <td>1. Implemented</td> <td>10/4/96</td> </tr> <tr> <td>2. In Progress</td> <td>4/7/97</td> </tr> <tr> <td>3. Implemented</td> <td>10/1/94</td> </tr> <tr> <td>4. Implemented</td> <td>10/4/96</td> </tr> </tbody> </table>   | Status   | Date | 1. Implemented | 10/4/96 | 2. In Progress | 4/7/97 | 3. Implemented | 10/1/94 | 4. Implemented | 10/4/96 | <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Status</th> <th style="text-align: left; border-bottom: 1px solid black;">Date</th> </tr> </thead> <tbody> <tr> <td>5. Non-Implementation</td> <td>2/1/95</td> </tr> <tr> <td>6. Partial Implementation</td> <td>4/7/97</td> </tr> <tr> <td>7. Implemented</td> <td>2/1/95</td> </tr> </tbody> </table> | Status | Date | 5. Non-Implementation | 2/1/95 | 6. Partial Implementation | 4/7/97 | 7. Implemented | 2/1/95 |
| Status   | Date   |      |                |         |                |        |                |         |                |         |  |        |      |                       |        |                           |        |                |        |
| 1. Implemented   | 10/4/96  |      |                |         |                |        |                |         |                |         |  |        |      |                       |        |                           |        |                |        |
| 2. In Progress   | 4/7/97   |      |                |         |                |        |                |         |                |         |  |        |      |                       |        |                           |        |                |        |
| 3. Implemented   | 10/1/94  |      |                |         |                |        |                |         |                |         |  |        |      |                       |        |                           |        |                |        |
| 4. Implemented   | 10/4/96  |      |                |         |                |        |                |         |                |         |  |        |      |                       |        |                           |        |                |        |
| Status   | Date   |      |                |         |                |        |                |         |                |         |  |        |      |                       |        |                           |        |                |        |
| 5. Non-Implementation  | 2/1/95   |      |                |         |                |        |                |         |                |         |  |        |      |                       |        |                           |        |                |        |
| 6. Partial Implementation  | 4/7/97   |      |                |         |                |        |                |         |                |         |  |        |      |                       |        |                           |        |                |        |
| 7. Implemented   | 2/1/95   |      |                |         |                |        |                |         |                |         |  |        |      |                       |        |                           |        |                |        |
| <b>10. Recommendations Included in this Report</b>   |  |      |                |         |                |        |                |         |                |         |  |        |      |                       |        |                           |        |                |        |
| <p>1. The Director of Public Works should consider how potential residential trash collection program changes will affect the apartment rebate obligation and provide this information to the City Council before decisions are made.</p> <p>Status of Recommendation: Implemented.</p> <p>2. The City Manager should renegotiate with the plaintiffs who brought suit against the City to alter the method of paying reimbursements. The reimbursements should be distributed annually by the Finance Department, and monthly processing of reimbursements should be eliminated. The basis of payments should be changed to eliminate the need to verify monthly occupancy.</p> <p>Status of recommendation: In Progress. Law Department has developed a proposed communication model, and has identified the original plaintiffs with whom negotiations must occur. Discussions are ongoing, and Law hopes to have proposed language negotiated with the plaintiffs within the next few weeks.</p> |  |      |                |         |                |        |                |         |                |         |  |        |      |                       |        |                           |        |                |        |



|  |   |
|--|---|
| Page 2 of 2  |   |
| <b>Audit Report Tracking System</b>  |   |
| <b>Audit Title:</b>  | Solid Waste Division Apartment Rebate Program |
| <b>Report Date:</b>  | 7-Apr-97                                      |
| <b>10. Recommendations Included in this Report (continued)</b>   |   |
| <p><b>If the City Manager is unable to renegotiate the agreement with apartment owners:</b></p> <p>3. <b>The Director of Public Works should revise the apartment rebate certification to include a space for participants to list their City profits tax number.</b></p> <p>Status of Recommendation: Implemented.</p> <p>4. <b>The Director of Finance should verify monthly occupancy information submitted for payment as part of a regular cycle of audits of apartment complexes to ensure compliance with occupation license and earnings and profits tax requirements.</b></p> <p>Status of Recommendation: Implemented.</p> <p>5. <b>The Director of Public Works should offer for Council consideration amendments to Section 62.44 of the City Code to provide for penalties if overstatement of occupancy is found, add recordkeeping requirements such that rebate recipients must maintain records adequate for verifying occupancy information submitted to the City and shorten the length of time rebate recipients have to apply for payment for any given month.</b></p> <p>Status of Recommendation: Non-Implementation. This is being held pending further information regarding negotiations on the court settlement.</p> <p><b>If the City Manager is unable to renegotiate the agreement with apartment owners:</b></p> <p>6. <b>The manager of the Solid Waste Division should draft program policies and procedures that clearly delineate the duties of staff and ensure separation of key duties such that one person is not in a position to make and conceal errors or irregularities.</b></p> <p>Status of Recommendation: Partially Implemented. Separation of duties and review of work was implemented immediately after the audit. One person enters payment information, and the supervisor approves changes to payments. Effective June, 1995 checks have been mailed from the Accounts Division of the Finance Department rather than the Solid Waste Division.</p> <p>A preliminary draft of policies and procedures has been completed, but major revisions remain. Customer Service representative training and storm debris services have delayed further progress. Procedures should be completed by the August report date.</p> <p><b>The manager of the Solid Waste Division should continue to require proof of ownership for all apartment rebate accounts and maintain records so that authorization of payments may be easily verified.</b></p> <p>Status of Recommendation: Implemented.</p> |   |

| <b>Audit Report Tracking System</b>  |  |      |                |         |                |        |                |         |                |         |   |        |      |                       |        |                |         |                |        |
|--|--|------|----------------|---------|----------------|--------|----------------|---------|----------------|---------|---|--------|------|-----------------------|--------|----------------|---------|----------------|--------|
| <b>1. Audit Title</b><br>Solid Waste Division Apartment Rebate Program   | <b>2. This Report Date</b><br>22-Sep-97                |      |                |         |                |        |                |         |                |         |   |        |      |                       |        |                |         |                |        |
| <b>3. Department</b><br>Environmental Management   | <b>4. Last Report Date</b><br>7-Apr-97                 |      |                |         |                |        |                |         |                |         |   |        |      |                       |        |                |         |                |        |
| <b>5. Department Head</b><br>John E. Stufflebean   | <b>6. Contact Person/Phone</b><br>Sally Ryan ext. 5170 |      |                |         |                |        |                |         |                |         |   |        |      |                       |        |                |         |                |        |
| <b>7. Audit Release Date</b><br>February, 1995   | <b>8. ARTS Number</b><br>95-4-1                        |      |                |         |                |        |                |         |                |         |   |        |      |                       |        |                |         |                |        |
| <b>9. Status of All Audit Recommendations</b>  |  |      |                |         |                |        |                |         |                |         |   |        |      |                       |        |                |         |                |        |
| <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Status</th> <th style="text-align: left; border-bottom: 1px solid black;">Date</th> </tr> </thead> <tbody> <tr><td>1. Implemented</td><td>10/4/96</td></tr> <tr><td>2. In Progress</td><td>4/7/97</td></tr> <tr><td>3. Implemented</td><td>10/1/94</td></tr> <tr><td>4. Implemented</td><td>10/4/96</td></tr> </tbody> </table>   | Status   | Date | 1. Implemented | 10/4/96 | 2. In Progress | 4/7/97 | 3. Implemented | 10/1/94 | 4. Implemented | 10/4/96 | <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Status</th> <th style="text-align: left; border-bottom: 1px solid black;">Date</th> </tr> </thead> <tbody> <tr><td>5. Non-Implementation</td><td>2/1/95</td></tr> <tr><td>6. Implemented</td><td>9/22/97</td></tr> <tr><td>7. Implemented</td><td>2/1/95</td></tr> </tbody> </table> | Status | Date | 5. Non-Implementation | 2/1/95 | 6. Implemented | 9/22/97 | 7. Implemented | 2/1/95 |
| Status   | Date   |      |                |         |                |        |                |         |                |         |   |        |      |                       |        |                |         |                |        |
| 1. Implemented   | 10/4/96  |      |                |         |                |        |                |         |                |         |   |        |      |                       |        |                |         |                |        |
| 2. In Progress   | 4/7/97   |      |                |         |                |        |                |         |                |         |   |        |      |                       |        |                |         |                |        |
| 3. Implemented   | 10/1/94  |      |                |         |                |        |                |         |                |         |   |        |      |                       |        |                |         |                |        |
| 4. Implemented   | 10/4/96  |      |                |         |                |        |                |         |                |         |   |        |      |                       |        |                |         |                |        |
| Status   | Date   |      |                |         |                |        |                |         |                |         |   |        |      |                       |        |                |         |                |        |
| 5. Non-Implementation  | 2/1/95   |      |                |         |                |        |                |         |                |         |   |        |      |                       |        |                |         |                |        |
| 6. Implemented   | 9/22/97  |      |                |         |                |        |                |         |                |         |   |        |      |                       |        |                |         |                |        |
| 7. Implemented   | 2/1/95   |      |                |         |                |        |                |         |                |         |   |        |      |                       |        |                |         |                |        |
|    |  |      |                |         |                |        |                |         |                |         |   |        |      |                       |        |                |         |                |        |
| <b>10. Recommendations Included in this Report</b>   |  |      |                |         |                |        |                |         |                |         |   |        |      |                       |        |                |         |                |        |
| <p><b>1. The Director of Public Works should consider how potential residential trash collection program changes will affect the apartment rebate obligation and provide this information to the City Council before decisions are made.</b></p> <p>Status of Recommendation: Implemented.</p>   |  |      |                |         |                |        |                |         |                |         |   |        |      |                       |        |                |         |                |        |
| <p><b>2. The City Manager should renegotiate with the plaintiffs who brought suit against the City to alter the method of paying reimbursements. The reimbursements should be distributed annually by the Finance Department, and monthly processing of reimbursements should be eliminated. The basis of payments should be changed to eliminate the need to verify monthly occupancy.</b></p> <p>Status of recommendation: In Progress. Law Department has been in contact with representatives of the original plaintiffs, and has agreed in concept with a process for future payments on a bi-monthly or quarterly process based on a standard percentage of filled units. As soon as final language is prepared, both sides have agreed to take it to court to have a new ruling issued. A change to Section 62.44 of the City Code will be proposed following the settlement.</p> |  |      |                |         |                |        |                |         |                |         |   |        |      |                       |        |                |         |                |        |

## Audit Report Tracking System

**Audit Title:** Solid Waste Division Apartment Rebate Program  
**Report Date:** 22-Sep-97

### 10. Recommendations Included in this Report (continued)

**If the City Manager is unable to renegotiate the agreement with apartment owners:**

3. **The Director of Public Works should revise the apartment rebate certification to include a space for participants to list their City profits tax number.**

Status of Recommendation: Implemented.

4. **The Director of Finance should verify monthly occupancy information submitted for payment as part of a regular cycle of audits of apartment complexes to ensure compliance with occupation license and earnings and profits tax requirements.**

Status of Recommendation: Implemented.

5. **The Director of Public Works should offer for Council consideration amendments to Section 62.44 of the City Code to provide for penalties if overstatement of occupancy is found, add recordkeeping requirements such that rebate recipients must maintain records adequate for verifying occupancy information submitted to the City and shorten the length of time rebate recipients have to apply for payment for any given month.**

Status of Recommendation: Non-Implementation. This is being held pending further information regarding negotiations on the court settlement.

**If the City Manager is unable to renegotiate the agreement with apartment owners:**

6. **The manager of the Solid Waste Division should draft program policies and procedures that clearly delineate the duties of staff and ensure separation of key duties such that one person is not in a position to make and conceal errors or irregularities.**

Status of Recommendation: Implemented. Separation of duties and review of work processes was implemented immediately after the audit. One person enters payment information, and the supervisor approves changes to payments. Effective June, 1995 checks have been mailed from the Accounts Division of the Finance Department rather than the Solid Waste Division.

Policies and procedures have been written and are being circulated for final review prior to copying for Customer Service Representatives' use.

7. **The manager of the Solid Waste Division should continue to require proof of ownership for all apartment rebate accounts and maintain records so that authorization of payments may be easily verified.**

Status of Recommendation: Implemented.



| <b>Audit Report Tracking System</b>   |   |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
|---|---|------|----------------|---------|----------------|---------|----------------|---------|----------------|---------|---|--------|------|----------------|---------|----------------|---------|----------------|--------|
| <b>1. Audit Title</b><br>Solid Waste Division Apartment Rebate Program  | <b>2. This Report Date</b><br>23-Mar-98               |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| <b>3. Department</b><br>Environmental Management  | <b>4. Last Report Date</b><br>22-Sep-97               |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| <b>5. Department Head</b><br>John E. Stufflebean  | <b>6. Contact Person/Phone</b><br>Robert Adolphe/1820 |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| <b>7. Audit Release Date</b><br>Feb-95  | <b>8. ARTS Number</b><br>934-067-5                    |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| <b>9. Status of All Audit Recommendations</b>   |   |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Status</th> <th style="text-align: left; border-bottom: 1px solid black;">Date</th> </tr> </thead> <tbody> <tr><td>1. Implemented</td><td>10/4/96</td></tr> <tr><td>2. In Progress</td><td>3/23/98</td></tr> <tr><td>3. Implemented</td><td>10/1/94</td></tr> <tr><td>4. Implemented</td><td>10/4/96</td></tr> </tbody> </table>   | Status  | Date | 1. Implemented | 10/4/96 | 2. In Progress | 3/23/98 | 3. Implemented | 10/1/94 | 4. Implemented | 10/4/96 | <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Status</th> <th style="text-align: left; border-bottom: 1px solid black;">Date</th> </tr> </thead> <tbody> <tr><td>5. In Progress</td><td>3/23/98</td></tr> <tr><td>6. Implemented</td><td>9/22/97</td></tr> <tr><td>7. Implemented</td><td>2/1/95</td></tr> </tbody> </table> | Status | Date | 5. In Progress | 3/23/98 | 6. Implemented | 9/22/97 | 7. Implemented | 2/1/95 |
| Status  | Date  |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| 1. Implemented  | 10/4/96   |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| 2. In Progress  | 3/23/98   |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| 3. Implemented  | 10/1/94   |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| 4. Implemented  | 10/4/96   |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| Status  | Date  |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| 5. In Progress  | 3/23/98   |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| 6. Implemented  | 9/22/97   |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| 7. Implemented  | 2/1/95  |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| <b>10. Recommendations Included in this Report</b>  |   |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| <p><b>2. The City Manager should renegotiate with the plaintiffs who brought suit against the City to alter the method of paying reimbursements. The reimbursements should be distributed annually by the Finance Department, and monthly processing of reimbursements should be eliminated. The basis of payments should be changed to eliminate the need to verify monthly occupancy.</b></p> <p>In progress. The apartment reimbursement program reimburses apartment owners (of seven units or more) for the expense of providing trash removal services to their tenants. The firms and individuals who were plaintiffs in the original action have been successfully assembled, and the City has obtained their commitment to return to court to seek a modification of the original judgment order if a satisfactory agreement can be reached. However, at this time an agreement on a modification has not been reached. Careful study of the program also reveals that the plaintiff/owners in the original lawsuit represent a significant portion of the larger apartment complexes within the City. The records they have provided the City, which have been verified from other sources, indicate that these large complexes regularly have occupancy rates of nearly one hundred percent. The City's goal is to eliminate the monthly report and payment requirement to reduce costs. While the apartment owners do not object to eliminating the monthly report form, they do like the monthly checks. The City offered to make payments on a quarterly basis based upon some presumed average occupancy rate, but because they claim an occupancy rate in excess of 95 percent, the apartment owners have been unwilling to settle for some lower average occupancy rate figure. In addition, the owners prefer bi-monthly to quarterly payments.</p> |   |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |

## Audit Report Tracking System

**Audit Title:** Solid Waste Division Apartment Rebate Program  
**Report Date:** 23-Mar-98

### 10. Recommendations Included in this Report (continued)

The current program is beneficial to the apartment owners and participation is relatively convenient. Therefore, they have little incentive to agree to any change, and no incentive at all if the proposed change might reduce the amount paid to any owner. With little incentive for change on the part of the owners, negotiations have proceeded very slowly.

5. **The Director of Public Works should offer for Council consideration amendments to Section 62.44 of the City Code to provide for penalties if overstatement of occupancy is found, add record keeping requirements such that rebate recipients must maintain records adequate for verifying occupancy information submitted to the City and shorten the length of time rebate recipients have to apply for payment for any given month.**

In Progress. This being held pending further completion of negotiations of the court settlement.

| <b>Audit Report Tracking System</b>  |  |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
|--|--|------|----------------|---------|----------------|---------|----------------|---------|----------------|---------|---|--------|------|----------------|---------|----------------|---------|----------------|--------|
| <b>1. Audit Title</b><br><div style="border: 1px solid black; padding: 2px; margin-top: 5px;">Solid Waste Division Apartment Rebate Program</div>  | <b>2. This Report Date</b><br><div style="border: 1px solid black; padding: 2px; margin-top: 5px; text-align: right;">4-Nov-98</div>                 |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| <b>3. Department</b><br><div style="border: 1px solid black; padding: 2px; margin-top: 5px; text-align: center;">Environmental Management</div>  | <b>4. Last Report Date</b><br><div style="border: 1px solid black; padding: 2px; margin-top: 5px; text-align: right;">23-Mar-98</div>                |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| <b>5. Department Head</b><br><div style="border: 1px solid black; padding: 2px; margin-top: 5px; text-align: center;">John E. Stufflebean</div>  | <b>6. Contact Person/Phone</b><br><div style="border: 1px solid black; padding: 2px; margin-top: 5px; text-align: center;">Robert Adolphe/1820</div> |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| <b>7. Audit Release Date</b><br><div style="border: 1px solid black; padding: 2px; margin-top: 5px; text-align: center;">Feb-95</div>  | <b>8. ARTS Number</b><br><div style="border: 1px solid black; padding: 2px; margin-top: 5px; text-align: center;">934-067-6</div>                    |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| <b>9. Status of All Audit Recommendations</b>  |  |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Status</th> <th style="text-align: left; border-bottom: 1px solid black;">Date</th> </tr> </thead> <tbody> <tr><td>1. Implemented</td><td>10/4/96</td></tr> <tr><td>2. Implemented</td><td>11/4/98</td></tr> <tr><td>3. Implemented</td><td>10/1/94</td></tr> <tr><td>4. Implemented</td><td>10/4/96</td></tr> </tbody> </table>  | Status   | Date | 1. Implemented | 10/4/96 | 2. Implemented | 11/4/98 | 3. Implemented | 10/1/94 | 4. Implemented | 10/4/96 | <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Status</th> <th style="text-align: left; border-bottom: 1px solid black;">Date</th> </tr> </thead> <tbody> <tr><td>5. Implemented</td><td>11/4/98</td></tr> <tr><td>6. Implemented</td><td>9/22/97</td></tr> <tr><td>7. Implemented</td><td>2/1/95</td></tr> </tbody> </table> | Status | Date | 5. Implemented | 11/4/98 | 6. Implemented | 9/22/97 | 7. Implemented | 2/1/95 |
| Status   | Date   |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| 1. Implemented   | 10/4/96  |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| 2. Implemented   | 11/4/98  |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| 3. Implemented   | 10/1/94  |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| 4. Implemented   | 10/4/96  |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| Status   | Date   |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| 5. Implemented   | 11/4/98  |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| 6. Implemented   | 9/22/97  |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| 7. Implemented   | 2/1/95   |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| <b>10. Recommendations Included in this Report</b>   |  |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| <p>2. The City Manager should renegotiate with the plaintiffs who brought suit against the City to alter the method of paying reimbursements. The reimbursements should be distributed annually by the Finance Department, and monthly processing of reimbursements should be eliminated. The basis of payments should be changed to eliminate the need to verify monthly occupancy.</p> <p>Complete. Extended negotiations with the apartment owners, who are the beneficiaries of the court order which established the current rebate system, have not resulted in any willingness by those owners to make any concessions or modifications which would significantly reduce the cost to the City of administering the program. Therefore, although the staff will continue to explore any possibilities of modifying the court's order, it will instead concentrate on streamlining the program as much as possible to reduce administrative costs. In the event the City was not successful in its attempts to renegotiate the apartment rebate program, the audit recommended the transferring of verification of occupancy to the Revenue Division. Should the Council desire to explore that option, we would be available to assist the Revenue Division and the Auditor's Office in that endeavor to determine whether or not that is a feasible alternative and of benefit to the City.</p> |  |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |
| (Continued on next page)   |  |      |                |         |                |         |                |         |                |         |   |        |      |                |         |                |         |                |        |

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| <b>Audit Report Tracking System</b>  |   |
| <b>Audit Title:</b>  | Solid Waste Division Apartment Rebate Program |
| <b>Report Date:</b>  | 4-Nov-98                                      |
| <b>10. Recommendations Included in this Report (continued)</b>   |   |
| <p>5. <b>The Director of Public Works should offer for Council consideration amendments to Section 62.44 of the City Code to provide for penalties if overstatement of occupancy is found, add record keeping requirements such that rebate recipients must maintain records adequate for verifying occupancy information submitted to the City and shorten the length of time rebate recipients have to apply for payment for any given month.</b></p> <p>Complete. The Code of Ordinances currently provides criminal-type penalties for any owner fraudulently overstating occupancy. It is legally questionable whether the City could impose any additional civil penalty (such as a penalty charge) or deny participation in the program in the event of an occupancy overstatement. There is no easy remedy to this problem. The Solid Waste Division does not possess the manpower or staff with the skills required to check apartment records on a regular basis. As the audit states, "...increasing inspections would increase already high administrative costs." Regular routine audits would be desirable if they could be accomplished by a properly trained staff at a reasonable cost to the City. Again, one of the audit recommendations was that this task may be effectively accomplished by the Revenue Division. Should the Council wish to pursue and investigate that alternative, we will be happy to assist in this endeavor.</p> <p>The current six-month time period that rebate recipients have to apply for payments is part of the court order and cannot be adjusted. It has not created any significant problems for the Solid Waste staff, and therefore, no modification of that limit is contemplated.</p> <p>Section 62.44 could state more clearly that an owner should keep records adequate to verify occupancy, but staff is hesitant to recommend any City-imposed special or additional record keeping requirement on apartment owners solely for the purpose of verifying occupancy. Such additional records would themselves require verification. (Most apartment owners currently keep only records of rent payments and expenses related to a unit's occupancy.) Should the Council decide to transfer verification of occupancy to the Revenue Division, staff would work with them to make appropriate modifications that would assist that division in verifications. In addition, as various sections of the Solid Waste Code are submitted to the Council for appropriate amendments from time to time, staff will plan to include this section for modification and clarification.</p> |   |

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## **Appendix C**

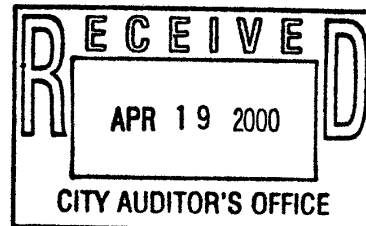
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### **Acting Director of Finance's Response**





## Inter-Departmental Communication



DATE: April 20, 2000

TO: Mark Funkhouser, City Auditor

FROM: Wanda J. Gunter, Acting Director of Finance *Wanda J. Gunter*

SUBJECT: Follow-up Audit of Apartment Rebate Program

I appreciate the opportunity to respond to the draft follow up audit of the Solid Waste Division Apartment Rebate Program. The follow up audit contains two recommendations, the first of which is directed to the Revenue Division of the Finance Department. The Finance Department's response to this recommendation is set forth below.

Recommendation Number 1: The commissioner of revenue should use the apartment rebate information to help ensure compliance with city obligations.

Agree: The Finance Department agrees with the recommendation and will continue to work with the City Attorney to determine how this information can be used in the administration of the City's tax ordinances by the Revenue Division. The Revenue Division utilizes information from many sources to ensure taxpayer compliance and will continue to work to ensure that all taxpayers comply with the tax ordinances that it administers.

cc: Tracy Smedley, Commissioner of Revenue  
 Bill Geary, Assistant City Attorney  
 Jim Brady, Assistant City Attorney





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## **Appendix D**

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### **Director of Environmental Management's Response**

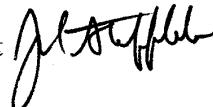




## Interdepartmental Communication

**DATE:** April 11, 2000

**TO:** Mark Funkhouser, City Auditor

**FROM:** John Stufflebean, Director, Environmental Management 

**SUBJECT:** Response to Follow-up Audit on Apartment Rebate Program

Thank you for the opportunity to review and comment on the Follow-up Audit Solid Waste Division Apartment Rebate Program.

As noted, the Solid Waste Division has made significant progress in improving the administrative efficiencies of the program and appreciates the assistance the Information Technology and Finance Departments have provided in that regard. As noted, the Division has also developed and implemented effective policies to decrease the likelihood of errors and fraud. The follow-up audit recommends that the processing duties be further segregated with another person in the department being responsible for approving new accounts and monitoring monthly changes to recipient names and addresses. The Department is in agreement with that recommendation and those duties have been assigned accordingly.

